

**UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
Alexandria Division**

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<b>In re:</b>	:	
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<b>RICHARD J. HINDIN,</b>	:	<b>Case No. 09-19741-SSM</b>
	:	<b>(Chapter 11)</b>
	:	
<b>Debtor.</b>	:	

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**DISCLOSURE STATEMENT FOR  
DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION**

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**11 U.S.C. § 1125(b) PROHIBITS SOLICITATION OF AN ACCEPTANCE OR REJECTION OF A PLAN UNLESS A COPY OF THE PLAN OR SUMMARY THEREOF IS ACCOMPANIED OR PRECEDED BY A COPY OF A DISCLOSURE STATEMENT APPROVED BY THE BANKRUPTCY COURT. THIS PROPOSED DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT, AND THEREFORE THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT IS NOT INTENDED TO BE NOR SHOULD IT BE CONSTRUED AS, AN AUTHORIZED SOLICITATION PURSUANT TO 11 U.S.C. § 1125(b) AND RULE 3017 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE. NO SUCH SOLICITATION WILL BE MADE EXCEPT AS AUTHORIZED BY THIS COURT PURSUANT TO THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE AND RULES.<sup>1</sup>**

**PLEASE READ THIS IMPORTANT INFORMATION**

THE BANKRUPTCY CODE REQUIRES ANY PARTY WHO PROPOSES A CHAPTER 11 PLAN OF REORGANIZATION TO PREPARE AND FILE A DOCUMENT WITH THE BANKRUPTCY COURT CALLED A “DISCLOSURE STATEMENT.” THIS DOCUMENT IS THE DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) FOR THE CHAPTER 11 PLAN OF REORGANIZATION (THE “PLAN”) PROPOSED BY THE DEBTOR IN THIS CASE, RICHARD J. HINDIN (THE “DEBTOR”).

THE BANKRUPTCY COURT HAS REVIEWED THE DISCLOSURE STATEMENT, AND HAS DETERMINED THAT IT CONTAINS ADEQUATE INFORMATION AND MAY BE SENT TO YOU TO SOLICIT YOUR VOTE TO ACCEPT THE DEBTOR’S PLAN.

ALL CREDITORS AND OTHER PARTIES IN INTEREST ENTITLED TO VOTE ON THE DEBTOR’S PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THE ENTIRE DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS MENTIONED HEREIN, BEFORE VOTING TO ACCEPT OR REJECT THE DEBTOR’S PLAN.

THE STATEMENTS AND OTHER INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT WERE MADE AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFIED. PARTIES REVIEWING THE DISCLOSURE STATEMENT SHOULD NOT INFER THAT THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DATE LISTED ON THE COVER SHEET OF THE DISCLOSURE STATEMENT, OR MIGHT NOT FURTHER CHANGE IN THE FUTURE. CREDITORS MUST RELY ON THEIR OWN EVALUATION OF THE DEBTOR AND HIS ESTATE AND THEIR OWN ANALYSIS OF THE DEBTOR’S PLAN IN DECIDING WHETHER TO ACCEPT OR REJECT THE DEBTOR’S PLAN.

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<sup>1</sup> This language will be removed from the Disclosure Statement upon approval of the Disclosure Statement and in advance of solicitation of the Debtor’s Plan of Reorganization.

THE DEBTOR IS PROVIDING THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT SOLELY FOR PURPOSES OF SOLICITING CREDITORS TO ACCEPT HIS PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON FOR ANY OTHER PURPOSE. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHALL NOT BE DEEMED AS PROVIDING ANY LEGAL, FINANCIAL, SECURITIES, INVESTMENT, TAX OR BUSINESS ADVICE. THE DEBTOR URGES ALL PARTIES TO CONSULT THEIR OWN ADVISORS FOR ANY SUCH LEGAL, FINANCIAL, SECURITIES, INVESTMENT, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT AND THE PLAN. MOREOVER, THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT OR LIABILITY, AS A STIPULATION OR AS A WAIVER.

THE DEBTOR HAS NOT AUTHORIZED ANY PARTY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE DEBTOR'S PLAN OR THE DEBTOR, OR HIS ESTATE, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. CREDITORS AND OTHER PARTIES IN INTEREST SHOULD NOT RELY UPON ANY OTHER INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN ACCEPTANCE OR REJECTION OF THE DEBTOR'S PLAN.

THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THIS DISCLOSURE STATEMENT DOES NOT MEAN THE BANKRUPTCY COURT HAS APPROVED OR ENDORSES THE DEBTOR'S PLAN.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE DEBTOR'S PLAN, CERTAIN OTHER DOCUMENTS AND CERTAIN FINANCIAL INFORMATION. THE DEBTOR BELIEVES THAT THESE SUMMARIES ARE FAIR AND ACCURATE. BUT IF THERE IS AN INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY DOCUMENT OR EXHIBIT INCORPORATED THEREIN, THE PLAN SHALL GOVERN FOR ALL PURPOSES.

## **I. INTRODUCTION**

The Debtor provides this Disclosure Statement in order to disclose the information believed to be material for creditors to arrive at a reasonably informed decision in exercising the right to vote on acceptance of the Debtor's Chapter 11 Plan of Reorganization (the "Plan") proposed by the Debtor. A copy of the Plan is attached hereto as Exhibit 1.

## **II. VOTING ON THE PLAN AND CONFIRMATION**

Voting on acceptance or rejection of the Plan is governed by provisions of the Bankruptcy Code. Each voting creditor will be supplied with an Official Ballot, in a form prescribed by the Bankruptcy Rules. Creditors may vote to accept or reject the Plan by returning a completed ballot with counsel for the Debtor, within the time prescribed for voting on the Plan. A class of creditors will be considered to have accepted the Plan (i) if it is accepted by creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of such class that have voted, or (ii) if the class is unimpaired within the meaning of the Bankruptcy Code.

The United States Bankruptcy Court for the Eastern District of Virginia (the “Bankruptcy Court”) will conduct a hearing and rule on confirmation of the Plan in accordance with the Bankruptcy Code at the United States Bankruptcy Courthouse, 200 South Washington Street, Alexandria, VA, 22314 (or at such other location as determined by the Bankruptcy Court and set forth in the notice of the Confirmation Hearing). You will receive a separate notice of that hearing.

## **III. CONFIRMATION UNDER ALTERNATE STANDARDS**

If all relevant classes entitled to vote on the Plan vote (or are deemed to have voted) in favor of the Plan, then the Debtor will ask the Bankruptcy Court to confirm the plan under the non “cramdown” provisions of Bankruptcy Code section 1129(a).

If all relevant classes entitled to vote on the Plan do not vote (or are deemed to have not voted) in favor of the Plan, then the Debtor will ask the Bankruptcy Court to confirm the Plan under the “cramdown” provisions of Bankruptcy Code section 1129(b). This alternative may require a finding by the Court that the Plan does not discriminate unfairly against, and is fair and

equitable (within the meaning of the Bankruptcy Code) with respect to, any class of holders that has or is deemed to have rejected the Plan.

#### **IV. HISTORY AND BACKGROUND OF THE DEBTOR**

The Debtor is an experienced businessman and advertising executive. He was the founder and 50% shareholder of the popular Britches of Georgetown (“Britches”) retail chain of clothiers. After expanding Britches to a nationwide chain of retail stores, he eventually sold that company in 1983, but remained as Britches’ president until 1989 pursuant to an earn-out provision in the sale, and thereafter proceeded to other business ventures. The sale of Britches, together with his subsequent business ventures, left the Debtor in a financially–comfortable position.

The Debtor owned a large, upscale residence located on the Virginia bank of the Potomac River at 407 Chain Bridge Road, Arlington, VA (“407 Chain Bridge Road”) and an adjoining small residence located at 405 Chain Bridge Road (“405 Chain Bridge Road”). Together, these properties were worth more than \$12 million at the height of the real estate boom of the 2000’s. Additionally, the Debtor owned an ocean-front property located at 15 Heather Lane, Bethany Beach, DE (“15 Heather Lane”) worth over \$4 million. With the exception of a mortgage of less than \$3 million on 407 Chain Bridge Road, each of these properties was at one time unencumbered and, in addition, the Debtor had extensive holdings of stock and other liquid assets, as well as other investments.

In 1989 the Debtor acquired an approximately 25% stock interest in a restaurant chain, Chicken Out Rotisserie, Inc. (“CORI”). In the late 1990’s, he acquired a majority interest with his son, Lee Hindin, who at that time was operating CORI. At that time, the company was losing money and could not obtain financing from other sources. To support CORI’s operations, the

Debtor made a series of loans to CORI and/or guaranteed and secured its obligations to third parties. Eventually, the Debtor's involvement with CORI resulted in the stabilization of its operations, but only after the Debtor had loaned it millions of dollars, which have never been repaid. In addition, the Debtor was forced to collateralize many of CORI's obligations, or his guarantees thereof, with liens on his Virginia properties and 15 Heather Lane, or to use those properties as collateral for loans from outside parties to him that he in turn used to make loans to CORI. At the time of his bankruptcy filing, these liens secured debts exceeding \$13 million.

The Debtor maintained his lifestyle and paid the debt service on his secured obligations through revenues generated by several, small closely-held entities in which he had an equity interest and from his then-substantial liquid assets, which over time were gradually exhausted. Notwithstanding this gradual erosion of the Debtor's liquid assets, however, the eventual stabilization of CORI's operations has positioned it to at least achieve a break-even point by the end of 2010 (excluding debt service on its multi-million dollar obligation to the Debtor), and probably would have enabled the Debtor to avoid bankruptcy, but for the general economic downturn that commenced in 2008 and a lawsuit against the Debtor stemming from the purchase by Lee Hindin and his wife, Karen Hindin (collectively, "Mr. and Mrs. Hindin") of a residence located in Park City, Utah (the "Park City Residence").

Mr. and Mrs. Hindin purchased the Park City Residence from an entity known as Split Timber Holdings, LLC ("Split Timber"). Split Timber is wholly owned by former San Francisco 49ers quarterback and television personality Steve Young ("Young"). The purchase price was \$6.25 million. Mr. and Mrs. Hindin made a down payment of \$750,000.00 and executed a promissory note for the balance of \$5.5 million (the "Note"). The Debtor guaranteed the Note. Soon thereafter, disputes arose between Mr. and Mrs. Hindin and Split Timber due to defects

associated with the house that Mr. and Mrs. Hindin contended were neither disclosed by Split Timber or Young, nor identified in a home inspection. Mr. and Mrs. Hindin believe that it would cost approximately \$300,000.00 to remedy these defects and prepare the house for sale. Due to these defects, Mr. and Mrs. Hindin refused to make payments on the Note, after which Split Timber sued the Debtor on the guaranty.

Split Timber thereafter obtained a default judgment against the Debtor in Utah state court for the \$5.5 million balance under the Note, plus over \$1.1 million in asserted unpaid interest, penalties and attorneys' fees. Thereafter, the Utah judgment was domesticated in Arlington County, Virginia, and in various Delaware and Maryland jurisdictions. Had Split Timber been permitted to enforce its judgment liens, it would have recovered for itself any equity in any of the Debtor's property, to the exclusion of other creditors.

The Debtor's bankruptcy was therefore filed as a means to rationally address the issues related to Split Timber's judgment enforcement efforts, to confirm a plan of reorganization herein and to substitute the Debtor's obligations under that plan in place of the existing rights of the Debtor's pre-petition creditors. In general, as described more fully below, the Debtor's Plan will result in all equally-situated creditors sharing equally in the value of the Debtor's assets, rather than Split Timber being the exclusive beneficiary of the equity in the Debtor's remaining holdings.

## **V. THE DEBTOR'S PLAN**

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN. THIS SUMMARY SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. CREDITORS ARE URGED TO READ THE ENTIRE PLAN. A COPY OF THE PLAN IS ATTACHED AS EXHIBIT 1 TO THIS DISCLOSURE STATEMENT. THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BY AND BETWEEN THE DEBTOR AND CREDITORS. ALL CREDITORS AND OTHER PARTIES IN INTEREST WILL BE BOUND BY THE PLAN.

In general, the Plan proposes the liquidation of the Debtor's two Virginia properties and the distribution of the net proceeds from the sale of those properties according to the priorities set forth in the Bankruptcy Code. In addition to this, the Plan proposes a series of bi-annual payments to creditors over the course of five calendar years equal to the approximate fair market value of the Debtor's remaining non-exempt – and chiefly, illiquid – assets, totaling \$700,000.00, plus annual interest of 3%. The Plan payments are to be generated from the Debtor's post-confirmation employment with CORI, from salary or other shareholder distributions expected to be received from the Debtor's remaining closely-held investments and from cost savings associated with no longer having to service the debt encumbering 407 Chain Bridge Road.

Specifically, the classes of creditors under the Plan, and the proposed treatment of each class, is as follows:

**a. Claim Classification.**

- Class 1:** All Priority Claims arising pursuant to Bankruptcy Code section 507 (a)(8).
- Class 2:** All other Priority Claims.
- Class 3:** Allowed Secured Claim of GMAC.
- Class 4:** Allowed Secured Claim of BB&T.
- Class 5:** Allowed Secured Claim of Wachovia.
- Class 6:** Allowed Secured Claim of PNC.
- Class 7:** Allowed Secured Claim of National City.
- Class 8:** Allowed Secured Claim of Eagle Bank.
- Class 9:** Allowed Secured Claim of Travelers.
- Class 10:** Allowed Secured Claim of Arlington County (407 Chain Bridge Road).
- Class 11:** Allowed Secured Claim of Arlington County (405 Chain Bridge Road).
- Class 12:** Allowed Secured Claim of World Alliance
- Class 13:** Allowed Secured Claim of Split Timber.
- Class 14:** Allowed Unsecured Claims.



**b. Claim Treatment.**

**3.1 Unclassified Claims (Administrative Claims)**

**3.1.1 General.**

The Debtor will pay to each holder of an Allowed Administrative Claim, on account of the Administrative Claim and in full satisfaction thereof, Cash equal to the allowed amount of such Administrative Claim, unless the holder agrees or shall have agreed to other less favorable treatment of such Claim.

**3.1.2 Payment of Statutory Fees.**

On the Effective Date, the Debtor will pay all fees payable pursuant to 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing (to the extent appropriate or necessary) from the Debtor's Cash.

**3.1.3 Treatment and Payment of Other Administrative Claims.**

All professional or other Entities requesting compensation or reimbursement of expenses pursuant to Bankruptcy Code sections 327, 328, 330, 503(b) and 1103 for services rendered before the Effective Date (including any compensation requested by any professional or any other Entity for making a substantial contribution in the Bankruptcy Case) shall File and serve on the Debtor and the United States Trustee an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date to the extent they are seeking repayment from the Debtor's Cash or other property of the Estate.

Objections to applications of professionals for compensation or reimbursement of expenses must be filed and served on the Debtor and his counsel, the professional applicant and other parties in interest in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any applicable order of the Bankruptcy Court.

Fees and expenses of professionals will be paid by the Debtor in Cash in full (a) on the Effective Date, to the extent then-allowed by the Court pursuant to an order that is a Final Order as of the Effective Date and to the extent the Debtor holds Cash sufficient to pay such Claim; and, (b) on or before the tenth (10<sup>th</sup>) day after an order allowing any such fees and expenses becomes a Final Order, to the extent such fees and expenses were not yet allowed as of the Effective Date, again, to the extent the Debtor holds Cash sufficient to pay such Claim at such time; or (c) on the first Distribution Date on which the Debtor holds sufficient Cash to pay such Claim.

**3.2 Class 1: Holders of Section 507(a)(8) Priority Claims.**

Unless the applicable taxing agency agrees to less favorable treatment, each holder of an Allowed Priority Claim entitled to priority under Bankruptcy Code section 508(a)(8) shall be paid the full amount of its Allowed Priority Claim in Cash on the Effective Date (or as soon as practicable after the date on which such Claim becomes an Allowed Claim if such date is after the Effective Date), unless such Allowed Priority Claim is also a Secured Claim secured by collateral which the Plan proposes to liquidate, in which case the Allowed Priority Claim will be paid in full from the proceeds of the sale of such collateral. The Debtor notes that no priority Claims were listed in the Debtor's Schedule E, and that no priority Claims were filed prior to the Bar Date. This Class is unimpaired.

**3.3 Class 2: Holders of Other Priority Claims.**

Except as otherwise provided in the Plan and subject to compliance with the terms of the Plan, to the extent not previously paid, each holder of an Allowed Priority Claim entitled to priority under sections 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7) of the Bankruptcy Code shall be paid by the Debtors the full amount of its Allowed Priority Claim in Cash on the

Effective Date (or as soon as practicable after the date on which any such Claim becomes an Allowed Claim if such date is later than the Effective Date). The Debtor notes that no priority Claims were listed in the Debtor's Schedule E, and that no priority Claims were filed prior to the Bar Date. This Class is unimpaired.

**3.4 Class 3: Allowed Secured Claim of GMAC.**

Class 3 consists of the Allowed Secured Claim of GMAC. The Allowed Secured Claim of GMAC will be paid in full out of the proceeds of the sale of 407 Chain Bridge Road, but will not be entitled to receive any payments before such time. This Class is impaired.

**3.5 Class 4: Allowed Secured Claim of BB&T.**

Class 4 consists of the Allowed Secured Claim of BB&T. The Allowed Claim of BB&T is a Secured Claim to the extent of the value of its underlying collateral, 407 Chain Bridge Road. The Allowed Secured Claim of BB&T will be paid in full out of the proceeds of the sale of 407 Chain Bridge Road remaining after the payment of any senior liens thereon and costs of sale. The balance of the Allowed Claim of BB&T will be treated as a Class 14 Allowed Unsecured Claim. This Class is impaired.

**3.6 Class 5: Allowed Secured Claim of Wachovia.**

Class 5 consists of the Allowed Secured Claim of Wachovia. The Allowed Claim of Wachovia is a Secured Claim to the extent of the value of its underlying collateral, 407 Chain Bridge Road. The Allowed Secured Claim of Wachovia will be paid in full out of the proceeds of the sale of 407 Chain Bridge Road remaining after the payment of any senior liens thereon and costs of sale. The balance of the Allowed Claim of Wachovia will be treated as a Class 13 Allowed Unsecured Claim. This Class is impaired.

**3.7 Class 6: Allowed Secured Claim of PNC.**

Class 6 consists of the Allowed Secured Claim of PNC. This Claim is secured by a first-priority deed of trust encumbering 15 Heather Lane. After the Effective Date, PNC will retain the lien securing its Claim. Commencing on the first Distribution Date, the Debtor will begin making monthly payments to PNC on account of its Allowed Secured Claim in an amount equal to the regular monthly mortgage payment specified in PNC's loan documents, and will continue making monthly payments in this amount until all principal and interest owed to PNC under its loan documents has been fully amortized and repaid.

As provided in Article 3.9 of the Plan, if at any time after the Effective Date but prior to the final Distribution Date the Debtor determines that his cash flow is insufficient to pay the mortgage payments for the mortgage debt secured by 15 Heather Lane, he has the option of transferring 15 Heather Lane to Eagle Bank, the Class 8 creditor, by a deed in lieu of foreclosure. Such a transfer would be without prejudice to PNC's lien rights under state law with respect to 15 Heather Lane. As a substantially oversecured creditor, however, any such transfer would be deemed to be in full and complete satisfaction of any and all claims of PNC against the Debtor or his Estate. This Class is impaired.

**3.8 Class 7: Allowed Secured Claim of National City.**

Class 7 consists of the Allowed Secured Claim of National City. This Claim is secured by a second-priority deed of trust encumbering 15 Heather Lane. After the Effective Date, National City will retain the lien securing its Claim. Commencing on the first Distribution Date, the Debtor will begin making monthly payments to National City on account of its Allowed Secured Claim in an amount equal to the regular monthly mortgage payment specified in National City's loan documents, and will continue making monthly payments in this amount

until all principal and interest owed to National City under its loan documents has been fully amortized and repaid.

As provided in Article 3.9 of the Plan, if at any time after the Effective Date but prior to the final Distribution Date the Debtor determines that his cash flow is insufficient to pay the mortgage payments for the mortgage debt secured by 15 Heather Lane, he has the option of transferring 15 Heather Lane to Eagle Bank, the Class 8 creditor, by a deed in lieu of foreclosure. Such a transfer would be without prejudice to National City's lien rights under state law with respect to 15 Heather Lane. As a substantially oversecured creditor, however, any such transfer shall be deemed to be in full and complete satisfaction of any and all claims of National City against the Debtor or his Estate. This Class is impaired.

### **3.9 Class 8: Allowed Secured Claim of Eagle Bank.**

Class 8 consists of the Allowed Secured Claim of Eagle Bank. This Claim is secured by a third-priority lien encumbering 15 Heather Lane. After the Effective Date, Eagle Bank will retain the lien securing its Claim. Commencing on the Effective Date, the Debtor will begin making monthly payments to Eagle Bank on account of its Allowed Secured Claim in an amount equal to the regular monthly mortgage payment specified in Eagle Bank's loan documents, and will continue making monthly payments in this amount until all principal and interest owed to Eagle Bank under its loan documents has been fully amortized.

Notwithstanding the foregoing, if at any time after the Effective Date but prior to the final Distribution Date the Debtor determines that his cash flow is insufficient to pay the mortgage payments for any or all of the mortgage debt secured by 15 Heather Lane, he has the option of transferring 15 Heather Lane to Eagle Bank by a deed in lieu of foreclosure. Such a

transfer shall be without prejudice to the rights of any senior lien holder under applicable nonbankruptcy law (e.g. the holders of the Class 6 and 7 Claims). If there is a transfer under this provision and Eagle Bank subsequently either sells or otherwise disposes of its interests in 15 Heather Lane in a manner that does not result in the payment in full of its Allowed Claim, then Eagle Bank shall be permitted to file an amended proof of claim to assert any unsecured deficiency claim and to thereafter participate on a *pro rata* basis in any distributions made to Class 14 creditors on any Distribution Date occurring after the filing of such amended proof of claim. This Claim is secured by a third-priority deed of trust encumbering 15 Heather Lane. This Class is impaired.

**3.10 Class 9: Allowed Secured Claim of Travelers.**

Class 9 consists of the Allowed Secured Claim of Travelers. According to the proof of claim filed herein by Travelers, the Travelers Claim is based on a judgment received by Travelers on September 1, 2009 in the District Court for Summit County, Utah in the principal amount of \$547,155.26. This judgment was recorded in the land records of Fairfax County, Virginia on October 19, 2009. It was also recorded in the land records of Arlington County, Virginia on December 16, 2009 (after the Petition Date). The Debtor does not own any real property located in Fairfax County, Virginia, or any other property to which a lien would attach as a result of the filing of Travelers' judgment in Fairfax County, Virginia. Even if the Debtor did own such property, it is likely that the filing of the judgment would constitute a voidable preference under 11 U.S.C. § 547. The filing of the judgment in Arlington County, Virginia would have caused a judgment lien to attach to the Debtor's real property located in Arlington County, Virginia, except that such filing was void since it occurred after the Petition Date and was therefore barred by 11 U.S.C. § 326 (a). Because of the foregoing, the Debtor will seek to

have Travelers voluntarily amend its proof of claim to strike its designation as a secured claim. If so, Travelers' Allowed Claim will be treated as a Class 13 Claim. If not, the Debtor will likely object to Travelers' proof of claim and, if necessary, file an adversary proceeding to avoid any preferences received by Travelers. In the unlikely event that Travelers is ultimately determined to have an Allowed Secured Claim, such Claim will be paid in full out of the proceeds of the sale of any collateral securing such Claim remaining after the payment of any senior liens thereon, with the balance to be treated as a Class 13 Claim. This Class is impaired.

**3.11 Class 10: Allowed Secured Claim of Arlington County (407 Chain Bridge Road).**

Class 10 consists of the Allowed Secured Claim of Arlington County for any real property taxes owed by the Debtor on account of 407 Chain Bridge Road. The Allowed Secured Claim of Arlington County will be paid in full out of the proceeds of the sale of 407 Chain Bridge Road. This Class is impaired.

**3.12 Class 11: Allowed Secured Claim of Arlington County (405 Chain Bridge Road).**

Class 11 consists of the Allowed Secured Claim of Arlington County for any real property taxes owed by the Debtor on account of 405 Chain Bridge Road. The Allowed Secured Claim of Arlington County will be paid in full out of the proceeds of the sale of 405 Chain Bridge Road. This Class is impaired.

**3.13 Class 12: Allowed Secured Claim of World Alliance.**

Class 12 consists of the Allowed Secured Claim of World Alliance. The Allowed Secured Claim of World Alliance will be paid in full out of the proceeds of the sale of 405 Chain Bridge Road. This Class is impaired.

**3.14 Class 13: Allowed Secured Claim of Split Timber.**

Class 13 consists of the Allowed Secured Claim, if any, of Split Timber. The Allowed Secured Claim of Split Timber is based on a judgment entered on September 2, 2009 in the District Court for Summit County, Utah in the original principal amount of approximately \$6.7 million. The judgment was subsequently docketed in the land records of Arlington County, Virginia, on or about September 29, 2009. The judgment was also docketed in the land records in counties in the States of Maryland and Delaware in which the Debtor owns interests in real property. Because of the timing of the docketing of the judgment in the various jurisdictions, the Debtor believes the judgment lien obtained thereby is likely voidable as a preference under 11 U.S.C. § 547. Accordingly, the Debtor will seek to have Split Timber voluntarily withdraw the docketing of its judgment, or, alternatively, commence an adversary proceeding seeking such relief. Once the docketing of the judgment has been withdrawn or avoided as a preference, then Split Timber's Claim shall be treated as a Class 14 Allowed Unsecured Claim if it has filed a timely proof of claim and if that proof of claim is ultimately allowed. In the unlikely event that Split Timber retains its judgment lien by successfully defending itself in an action under section 547, the Allowed Secured Claim of Split Timber will be paid in full out of any proceeds of the sale of 407 Chain Bridge Road and 405 Chain Bridge Road remaining after senior liens are paid in full. This Class is impaired.



**3.15 Class 14: Allowed Unsecured Claims.**

Class 14 consists of all Allowed Unsecured Claims not entitled to priority under the Bankruptcy Code. All holders of Allowed Class 14 Claims will receive *pro rata* payments to be paid from the proceeds of the sale of the Plan Property and from the Debtor Payments, as more fully described in Article 5 below, in full satisfaction of such Claims. This Class is impaired.

**VII. DISPUTED CLAIMS**

Any objection to a Claim shall be filed by the Debtor no later than the Objections Deadline. *Notwithstanding any other provisions of the Plan, no payments or distributions shall be made on account of any Disputed Claim until such Claim becomes an Allowed Claim, and then only to the extent that it becomes an Allowed Claim and in accordance with the Plan.*

Pursuant to Sections 1.28 and 5.1 of the Plan, distributions to creditors (other than holders of administrative claims, priority claims or secured claims that are paid from the proceeds of property that is sold pursuant to the Plan), will not occur until all Claims (including Disputed Claims) have become either Disallowed or Allowed Claims. After such time, all Allowed Claims will be paid on Distribution Dates in accordance with the terms of the Plan.

**VIII. CHAPTER 7 LIQUIDATION ANALYSIS**

The alternative to confirmation of a plan in chapter 11 is either the dismissal of the case or the conversion of the case to chapter 7. In chapter 7, the Debtor's assets would be liquidated by a chapter 7 trustee. In such a scenario, this process would yield to creditors the liquidation value of the Debtor's assets, less the costs of administration of a chapter 7 bankruptcy estate, including the legal fees and commissions of the chapter 7 trustee. The Debtor believes that

liquidation of his assets in chapter 7 would ultimately result in a smaller distribution to creditors than is proposed under his Plan.

The Debtor's Schedules list the following assets, which are listed below together with the fair market value ascribed to them in the schedules (or their current value, if the asset is a financial account or security traded on an exchange), and any lien thereon:

Real Estate:

<u>Description</u>	<u>FMV</u>	<u>Lien</u>
407 Chain Bridge Road	\$8,000,000	\$8,900,000
405 Chain Bridge Rod	\$1,200,000	\$350,000
15 Heather Lane	\$4,000,000	\$3,435,144
Promenade Condo Unit 1227 S (Debtor owns only ½ tenancy in common)	\$250,000	\$125,000
Promenade Condo Unit 923 N	\$250,000	\$0

<u>Personal Property</u>	<u>FMV</u>	<u>Lien</u>
Bank Accounts	10,000	
Household Goods/ Furnishings	58,115	
IRA	1,000	
890,000 Shares Regenerx	\$507,300 (worth \$319,954 as of 5/24/10)	
Stock Interests in Adworks, Inc.; Hinsilblon, Ltd. CORI; and RF&A, LLC	Unknown	

Automobiles                              \$32,000

The Debtor estimates that a chapter 7 liquidation would result in the following distribution to his creditors:

(i) Realty

The net proceeds that will be realized from the sale of 405 Chain Bridge Road are unknown, but since this property is to be sold under the Plan (as would result in a chapter 7 liquidation), the result under the Plan and in a chapter 7 liquidation would be substantially similar. The Debtor believes that a chapter 7 trustee would likely abandon 407 Chain Bridge Road. Since there is no equity in this property, this would not affect the comparative gross proceeds available for distribution under chapter 7 as opposed to under the Plan, but could significantly affect the amount ultimately distributed to creditors since such a disposition would probably result in greatly increased unsecured deficiency claims stemming from secured claims that would otherwise be at least partially repaid from the fair-market sale of this property under the Plan. The Debtor believes that a chapter 7 trustee would similarly be likely to abandon 15 Heather Lane, which could in turn generate substantial unsecured deficiency claims that will be avoided under the Debtor's proposed Plan. In any event, the slender equity cushion in this property, if it indeed exists in this real estate market, would likely be consumed by costs of any sale by a chapter 7 trustee if a trustee attempted to sell this property.

The sale of the two Promenade Condominium Units, however, would likely result in net proceeds to estate creditors. But the approximately \$310,000.00 in equity in these properties reflected on the Debtor's Schedules would be reduced by costs of sale of approximately 10%. The Debtor estimates that the most that the sale of these real properties would yield in chapter 7 would therefore be \$275,000.00.

(ii) Personalty

\$2,000 of the Debtor's interest in his Porsche automobile, \$10,000 worth of the Debtor's Regenerx stock, together with all of the Debtor's household goods, wearing apparel and IRA account (\$1,000) were exempted by the Debtor. There were no objections to these exemptions filed. This leaves the approximately \$20,000.00 in the Debtor's DIP account, estimated net equity of \$20,000 in automobiles, the approximately \$310,000 in non-exempt Regenerx stock and the value of the Debtor's interests in Adworks, Inc., RF&A, LLC, CORI and Hinsilblon, Ltd. that would be ostensibly available for distribution to creditors in a chapter 7 bankruptcy case.

The Debtor believes that a chapter 7 trustee could not find any buyer for his stock interests in Adworks, Inc., RF&A, LLC, CORI or Hinsilblon, Ltd. Each of these entities is a closely-held private company for which there is no public equity market. None has any substantial tangible assets. Moreover, aside from CORI (whose debts greatly exceed its assets) the day-to-day operations of each of these entities are performed by unrelated individuals whose compensation has historically consumed almost all of the organizations' net revenues and who would have no legal obligation to work for a new purchaser, and who would be unlikely to do so.

In other words, the stock in these entities is likely worth nothing to anyone other than the Debtor. The Debtor also believes that it is extremely unlikely that a chapter 7 trustee could realize anything close to the \$310,000 current share price for his non-exempt holdings in Regenerx. Regenerx is a small company whose stock is thinly-traded. Any attempt to dispose of shares the magnitude of the Debtor's holdings would in all likelihood significantly depress the share price, resulting in net proceeds far smaller than the \$310,000 indicated by the current share price.

Thus, liquidation of the Debtor's personalty in chapter 7 would likely result in a distribution of the \$40,000 attributable to the Debtor's cash and automobile equity, together with whatever would be realized from the sale of the Regenerx stock.

Even if no discount is applied to the value of the Regenerx stock to anticipate the depression of its share price if liquidated by a chapter 7 trustee, under the most optimistic estimate there would be at most approximately \$628,000 in proceeds of real and personal property (aside from any proceeds of the sale of 405 and 407 Chain Bridge Road) to distribute in chapter 7.

This would result in a significantly reduced distribution to creditors, as compared with the Plan (which proposes payments totaling \$700,000.00, plus interest, in addition to the proceeds of the sale of 405 and 407 Chain Bridge Road), for the following reasons:

a) In chapter 7, the trustee would be entitled to a commission of approximately \$34,000.00. The trustee would also be entitled to a reimbursement of his attorney's fees, which are conservatively estimated at \$20,000.00, a figure that does not account for the cost of any litigation, if necessary, with Split Timber or Travelers;

b) In chapter 7 it is likely that the liquidation of 407 Chain Bridge Road and 15 Heather Lane by secured creditors in foreclosure sales would result in large deficiency claims that would likely increase the body of unsecured creditors, potentially by millions of dollars. This would in turn reduce the *pro rata* distribution to which other creditors would be entitled;

c) The calculations contained in this liquidation analysis assume that the forced liquidation of the Debtor's real properties in the current real estate market when the seller is known to be a chapter 7 bankruptcy trustee would, in fact, yield sale proceeds equivalent to the scheduled fair market values of these properties, a scenario that is in fact unlikely.

For all of the foregoing reasons, the Debtor believes that the distribution to creditors in a hypothetical chapter 7 liquidation of his estate would be no greater and, in all likelihood, much worse than will occur under the Plan.

## **IX. TAX CONSEQUENCES OF PLAN**

The Debtor has not retained tax professionals to evaluate the tax effect to the Estates and/or creditors of the payments contemplated in the Plan. To the extent creditors have written off any accounts receivable on their tax returns, ordinary income may be recognized from any distributions received under this Plan.

***THE DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES SET OUT HEREIN IS LIMITED TO THE GENERAL TAX CONSEQUENCES AFFECTING CREDITORS AS A RESULT OF THE DISCHARGE OF INDEBTEDNESS WITHOUT PAYMENT UNDER THE PLAN.***

***EACH CREDITOR OR EQUITY SECURITY HOLDER SHOULD CONSULT THEIR OWN TAX ADVISOR TO DETERMINE THE TREATMENT AFFORDED THEIR RESPECTIVE CLAIMS OR INTERESTS BY THE PLAN UNDER FEDERAL TAX LAW, THE TAX LAW OF THE VARIOUS STATES AND LOCAL JURISDICTIONS OF THE UNITED STATES AND THE LAW OF FOREIGN JURISDICTIONS.***

***BECAUSE OF CONTINUAL CHANGES BY THE CONGRESS, THE TREASURY DEPARTMENT, AND THE COURTS WITH RESPECT TO THE TAX LAWS, NO ASSURANCES CAN BE GIVEN REGARDING INTERPRETATIONS OF THE TAX LAWS, REPRESENTATIONS WITH RESPECT THERETO OR ANY OTHER MATTER ASSOCIATED THEREWITH.***

***NO STATEMENT IN THIS DISCLOSURE STATEMENT IS TO BE CONSTRUED AS TAX ADVICE OR LEGAL ADVICE TO ANY CREDITOR OR EQUITY SECURITY HOLDER. THE BANK AND ITS COUNSEL ASSUME NO RESPONSIBILITY OR LIABILITY FOR THE TAX CONSEQUENCES THE DEBTOR, A CREDITOR OR EQUITY SECURITY HOLDER MAY SUSTAIN AS A RESULT OF THE TREATMENT AFFORDED THEIR CLAIM OR INTEREST UNDER THE PLAN.***

## **X. RISK FACTORS/FEASIBILITY**

The primary risk to creditors under the Debtor's Plan is that the Debtor's post-Effective Date income will not be sufficient to make the payments he is required to make under the Plan. But if this occurs, it is likely that the Debtor's assets would simply be liquidated under chapter 7 of the Bankruptcy Code. Since such a liquidation under chapter 7 is already the only realistic alternative to the Debtor's Plan, the Debtor is firmly convinced that it is in all creditors' interests to permit the Debtor to attempt to perform under the Plan, since under the Plan creditors will receive a greater return than they likely will under chapter 7. Given this, and given the circumstances which necessitated the filing of the Debtor's case, the Debtor strongly believes that any risks associated with the confirmation of the Plan are outweighed by the risks accompanying any realistic alternative.

## **XI. ONGOING MANAGEMENT**

On and after the Effective Date, the Debtor will own and manage his Estate and its Assets, except that under the Plan any sale of 405 Chain Bridge Road and/or 407 Chain Bridge Road that occurs after the Effective Date must be approved by the Bankruptcy Court, after notice to creditors.

## **XII. DISCHARGE**

Pursuant to Section 1141 (b) of the Bankruptcy Code, the Debtor will be entitled to a discharge upon completion of all payments to creditors required under Article 5.1 (a) and (b) of the Plan.

### **XIII. CONCLUSION**

For all the reasons described above, the Debtor urges you to vote to accept the Plan by filling out the enclosed Official Ballot in the appropriate space and returning it to the Debtor's attorney at the address listed on the Official Ballot. Any questions regarding this Disclosure Statement may be directed to the undersigned.

Date: May 25, 2010.

Respectfully submitted,  
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By Counsel

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