

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF CONNECTICUT**

IN RE: : CHAPTER 11  
CARITAS INVESTMENT : CASE NO. 17-50456  
LIMITED PARTNERSHIP  
DEBTOR : JUNE 4, 2018

**CHAPTER 11 DISCLOSURE STATEMENT**

**This is not a solicitation of acceptance or rejection of the Plan. Acceptances or rejections may not be solicited until a Disclosure Statement has been approved by the Bankruptcy Court. This Disclosure Statement is being submitted for approval but has not been approved by the Court.**

On April 24, 2017, Caritas Investment Limited Partnership, (hereinafter “Debtor”), filed a voluntary petition for reorganization pursuant to Chapter 11 of the United States Code (the “Code”) with the United States Bankruptcy Court for the District of Connecticut (the “Court”). The Debtor has filed, together with this Disclosure Statement, a proposed Plan of Reorganization (the “Plan”). Pursuant to Code Section 1125, the Debtor has prepared and filed this Disclosure Statement (the “Statement”) along with the Plan for the Court’s approval for submission to the holders of claims and interests with respect to the Debtor and the assets of the estate. The purpose of this statement is to provide the holders of claims against or interests in the Debtor with adequate information about the Debtor and the Plan to make an informed judgment about the merits of approving the Plan.

**NO REPRESENTATIONS CONCERNING THE DEBTOR  
(PARTICULARLY AS TO THE VALUE OF PROPERTY OF THE DEBTOR’S  
ESTATE) ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET**

**FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY ANY CREDITOR. THE INFORMATION CONTAINED IN THIS STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE RECORDS KEPT BY THE DEBTOR ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT ANY INACCURACY ALTHOUGH EVERY EFFORT HAS BEEN MADE TO BE ACCURATE. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE COURT DOES NOT CONSTITUTE A RECOMMENDATION AS TO THE MERITS OF THE PLAN.**

**I**

**GENERAL HISTORY**

The Debtor is a Limited Liability Company and was formed with the Secretary of the State, of the State of Delaware on April 19, 2000.

John A. Morgan is the Limited Partner holding 99% of the ownership of the Debtor company. Morgan 2000, LLC is the General Partner of the Debtor, holding 1% of ownership of the Debtor company. John A. Morgan is 87 years old.

John A. Morgan and his spouse, Connie Morgan reside at the property commonly known as 140 Wallacks Drive, Stamford, CT. The property consists of approximately 4 ½ acres of two partials, to wit: a.) Caritas Island, an island off of the coast of Stamford, CT, surrounded by Long Island Sound; and b.) a contiguous parcel on the main land of Stamford. The island is connected to the main land parcel by a bridge which is owned,

operated and maintained by the Debtor. The Debtor maintains a security system at the bridge.

On the island there are four structures: a.) the main house, consisting of approximately 14,000 livable square feet, b.) two separate cottages, each of about 2,000 square feet, c.) a five car garage with a 2,000 square foot apartment above. At the present time, only the main house is occupied by Mr. and Mrs. Morgan and their children.

The Debtor manages the property. The principal of the Debtor, John A. Morgan, has delegated much of the decision making concerning the property to his spouse, Connie Morgan.

The Debtor became the owner of this property by Deed recorded April 20, 2001 in Volume 5751 at Page 94 of the Stamford Land Records. On January 19, 2007, the Debtor signed a Promissory Note and Mortgage to Bank of America in the original principal sum of \$3,500,000.00. The mortgage was placed on the property of the Debtor in Volume 8858 at Page 312 of the Stamford Land Records. The Note matured 7 years later on January 22, 2014. The terms of payment were interest only during the term of the Note.

Bank of America was unwilling to extend, modify or re-write the Note and Mortgage. A foreclosure action was commenced by Bank of America in the U.S. District Court, District of Connecticut by filing a Lis Pendens on October 8, 2015 in Volume 11348 at Page 66 of the Stamford Land Records.

A "Law Day" pursuant to a Judgment of Strict Foreclosure was entered by the Foreclosure Court, of April 25, 2017.

On April 24, 2017, the Debtor filed a Voluntary Petition pursuant to Chapter 11 and the Law Day was stayed. During the course of the foreclosure action, the Debtor paid Bank of America \$250,000.00 toward the principal of the note.

## **II**

### **POST-PETITION PROCEEDINGS**

On May 17, 2017, the Court (Manning, J.) approved the Application for Counsel for Debtor by Attorney Ellery E. Plotkin, attorney for Debtor in possession.

Throughout the course of this Chapter 11, the Debtor has filed Monthly Operating Reports and paid the fees due and owing to the Office of the U.S. Trustee.

The Debtor attended its meeting of creditors as well as an administration session with the Office of the U.S. Trustee just after the filing of the case.

The Debtor attended a case management conference with the Court. The Debtor filed an Application to Employ real estate broker Halstead Connecticut, LLC dba Halstead Property for the purpose of listing and selling the Caritas property. The Application was approved by the Court.

Prior to the Bankruptcy filing, the property was under contract of sale by the Debtor to: "USC-CIF CORP". The buyer corporation was formed under the laws of the State of New York on December 15, 2015. The principals were Kenneth Cheng and Liz Zhen Zhao. The Debtor was represented by Attorney Burt Hoffman of Stamford, CT. It was unknown if the buyer corporation had an active attorney representing it in the purchase of the property at the time of filing. By the time the Bankruptcy was filed, the Debtor had received several extension requests from the Buyer to close on the property.

USC-CIF CORP did however give a deposit of \$875,000.00, which was being held by Attorney Burt Hoffman at the time of the filing.

Numerous attempts were made to contact the buyer for several months after the filing of the Petition. Such efforts were made by attorney for the Debtor and most of which were unanswered by the buyer. Both Attorney Plotkin and Attorney Hoffman had communicated to the buyer the need for them to obtain an attorney in order to close this transaction. The Court Ordered the deposit transferred from Attorney Burt Hoffman to Attorney Ellery Plotkin, where the money was placed in Attorney Plotkin's IOLTA account.

On or about August 16, 2017, Attorney John A. Cassone of Stamford, CT filed an Appearance for USC-CIF CORP. Rather than committing to the purchase of the property, Attorney Cassone in representing his client made efforts to try to challenge the validity of the Contract, to suggest that the Seller was not acting in accordance with the Contract, and largely trying to find excuses why the property should not close, all in an effort to secure back the deposit for his client. Attorney Cassone's efforts were denied by the Court.

The Court (Manning, J.) had approved the sale of the property pursuant to the terms of the Contract for the gross purchase price of \$8,750,000.00, and further set a deadline for the closing of the property, October 31, 2017. The Debtor prepared for the closing and was ready, willing and able to close pursuant to the terms of the Contract. The purchaser did not show up at the closing, and pursuant to the Court Order, the \$875,000.00 deposit was forfeited to the Debtor.

Subsequently, the Debtor filed a Motion for approval to transfer the deposit to the Debtor in possession account of Caritas, which the Court approved.

The Debtor immediately paid the real estate taxes due and owing from the July 2017 installment, and the January 2018 installment, total of \$212,521.66.

The Debtor, during these Chapter 11 proceedings, has paid its obligations post-petition, including payment of insurance premiums, utilities, alarm system, maintenance, repairs for the property.

As of April 30, 2018, the funds in the Debtor in possession account totaled \$575,672.78.

On February 26, 2018, Bank of America filed a Motion to Dismiss this Chapter 11 Case. The Motion was denied by the Court on April 25, 2018, provided that the Debtor file a Disclosure Statement and Chapter 11 Plan on or before June 5, 2018. This Disclosure Statement and Plan are timely filed.

### III

#### PRE-PETITION DEBT

The following claims are here disclosed as provided by Proofs of Claim and the Debtor's Schedules.

**A. Priority Claims under Bankruptcy Code Section 507(a)(8).**

NONE

**B. Secured Debt.**

Bank of America claims to be owed \$4,627,666.65 as of June 1, 2018, exclusive of attorney's fees and costs.

Internal Revenue Service has filed a Tax Lien on the Land Records of the City of Stamford dated July 29, 2016 for the sum of \$938,113.03, and has designated the name of tax payer as: "Caritas Investment Limited Partnership, nominee of John A. Morgan". These tax obligations are those of John A. Morgan, and not of Caritas Investment. Caritas Investment is not the nominee of John A. Morgan. The Debtor had disclosed this Tax Lien in its Schedules and marked the claim of the Internal Revenue Service as "disputed". The Debtor disputes this claim of the IRS to the extent that Caritas Investment is not liable to the IRS and in addition, the amount is inflated.

The Debtor shall file an objection to the Proof of Claim of the Internal Revenue Service. If the Debtor is successful, the Proof of Claim will not be paid by the Debtor. In the event that the Debtor is not successful, then the Internal Revenue Service will be paid no later than 60 months after the effective date of the Plan.

**C. Unsecured Debt.**

The unsecured debt consists of the following claimants, which are listed in no particular order as follows:

1. Edward J. Frattaroli, Inc. \$ 3,492.50
2. B&G Marina \$35,465.89
3. High Touch, LLC \$ 2,036.60

The Debtor shall object to the Proof of Claim of B&G Marina. The amount owed is much less than the claim as filed by this Creditor. The Proof of Claim is disputed.

IV

**THE PLAN OF REORGANIZATION**

**A. Definitions**

1. **Claim:** Claim shall have the meaning ascribed to such term in Code Section 101(5).
2. **Code:** Code shall mean the Bankruptcy Reform Act of 1978 and as thereafter amended, which has been codified as Title 11 of the United States Code.
3. **Confirmation:** Confirmation shall mean the date on which this Plan is confirmed by Order of the Court.
4. **Court:** Court shall mean the United States Bankruptcy Court for the District of Connecticut including the United States Bankruptcy Judge presiding therein.
5. **Debtor.** The Debtor shall mean Caritas Investment Limited Partnership.
6. **Effective Date of the Plan:** Effective Date of the Plan shall mean the first business day following the last day on which an appeal from an Order of the Court confirming this Plan may be taken under applicable law and no such appeal has been taken or if such an appeal has been taken, the first business day following the date upon which such appeal has been exhausted and the Plan may proceed.
7. **Date of Confirmation of the Plan:** Date of Confirmation of the Plan shall mean that date upon which the Court approves the Debtor's Plan.



8. **Voting, Cram Down and Confirmation**

a. **Voting**

In order to obtain confirmation of the Plan by the Court, the Plan must be accepted by the Creditors of at least one Class which is impaired under the Plan. Creditors holding at least two thirds in dollar amount of the allowed claims and who constitute more than one half in number of such voting creditors of one impaired Class must vote for the Plan in order for the Plan to be confirmed.

Administrative claims are to be paid in full upon confirmation; they are not impaired under the Plan and are deemed to have accepted the Plan. Creditors within a class vote as part of a class.

Members of impaired classes may vote to accept or reject the Plan.

b. **Cram Down**

If any class should fail to accept the Plan by the required majority, the Court may, under Code Section 1129(b), nonetheless confirm the Plan if at least one impaired class has accepted the Plan and the Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to any impaired class which has not accepted the Plan. A plan is "fair and equitable" within the meaning of this section if it provides as to a dissenting class of secured creditors, retention of the lien securing the claim in the allowed amount of the claim, and payment of deferred cash payments totaling the allowed amount of such claim and having a value, as of the effective date of the Plan, of its collateral. As to a dissenting class of unsecured creditors, a Plan is "fair and equitable" if it receives property of a value, as of the effective date of the Plan, equal to the allowed amount of its claims, or the holders of claims in junior

classes will receive or retain nothing under the plan. The rule that junior classes receive or retain no property is sometimes called the “absolute priority rule.” An exception to this rule exists where either the plan provides for a liquidation or a junior class makes a “substantial” contribution of new money or property to the Debtor’s estate as part of a plan of reorganization. However, an exception to this exception may exist pursuant to the law known as BAPCPA, which came into effect in October of 2005. That new law provided that the Debtor may invoke 11 USC 1129(b)(2)(B)(ii), if he can show that all of his disposable income is being submitted to the effectuation of the plan in a five year period. The Debtor intends to invoke these “cram down” provisions against any class, secured or unsecured, that fails to accept the Plan.

8. **Impairment:** To the extent that the word “impaired” is used, impaired is defined in Code Section 1124 as follows, except as to unfavorable treatment agreed upon by any class or claimant:

A class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such class, the plan

1. leaves unaltered, the legal, equitable and contractual rights to which such claim or interest entitles the holder of such claim or interest; or
2. notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default
  - a. cures any such default that occurred before or after the commencement of the case under this title (11 USC 101 et seq.) other than a

default of a kind specified in § 365(b)(2) of this title 11 USC 365(b)(2) or of a kind that § 365(b)(2) expressly does not require to be cured;

b. reinstates the maturity of such claim or interest as such maturity existed before such default;

c. compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law;

d. if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to §365(b)(1)(A), compensates the holder of such claim or such interest (other than the Debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and

e. does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

**B. Plan Objectives.** The major objectives of the Debtor's Plan of Reorganization are:

1. Full payment of fees as may be due and owing to the Office of the U.S. Trustee.
2. Full payment of all priority and administrative claims.
3. Payment of an amount to unsecured creditors that is not less than such creditors would receive in the event that the Debtor's non-exempt assets were liquidated on the Effective Date of the Plan. The following is a brief summary of the Plan and should not be solely relied upon for voting purposes. Creditors are urged to

read the Plan in full. Creditors are further urged to consult with counsel or with each other in order to fully understand and evaluate the Plan.

All creditors who are listed in the Debtor's schedules filed with the Court may vote on the Plan whether or not they have filed Proofs of Claim, except in those instances where the schedules reflect that the claim is disputed, unliquidated, contingent or where objections to claims have been filed. Further, all creditors who are listed in the schedules will receive payment pursuant to the Plan whether or not a Proof of Claim was filed, except in those instances where the schedules reflect that the Creditor's claim is disputed, contingent, or unliquidated. In the case where objections to claims have been made by the Debtor, payments will be made in accordance with the Plan upon a final decision by the court as the allowed amount. Where a Proof of Claim is filed in an amount which is different from that set forth in the Debtor's schedules, or is filed as a claim which its schedules are disputed, contingent or unliquidated, the same may be subject to objection, and after a hearing thereon, may be either allowed, reduced or disallowed by the Court and the amount determined in that instance will establish the amount to be paid to the Creditors pursuant to the Plan. The Debtor may file Objections to Proof of Claim after the Confirmation of the Plan.

**C. Claims and Interests under the Plan.**

**1. Administrative Claims**

Administrative expenses as defined in Code Section 503(b) include the claims of the Debtor's bankruptcy counsel, Law Offices of Ellery E. Plotkin, LLC, which total is estimated to be no more than \$80,000.00 (\$8,530.00 of which has been paid as a retainer).

In addition to administrative claims, the Debtor will pay any fees due and owing to the Office of the U.S. Trustee on the date of confirmation of the Plan.

**2. Priority Claims under Bankruptcy Code Section 507(a)(8).**

NONE

**3. Plan Classification of Claims**

**a. Class 1**

Class 1 consists of the secured claim of Bank of America.

**b. Class 2**

Class 2 consists of all general unsecured claimants.

**c. Class 3**

Class 3 consists of equity holders, to wit: John A. Morgan, 99% Limited Partner, and Morgan 2000, LLC, 1% General Partner.

**D. Treatment of Claims and Interests under the Plan**

**1. Administrative Claims**

Administrative claims will be paid in full on the later of their allowance or confirmation of the Plan. Any administrative claimant may elect to receive payment over a period of time or a different treatment. Fees due and owing to the Office of the U.S. Trustee shall be paid by the date of confirmation of the Plan.

**2. Class 1**

The Class 1 secured claim is impaired. The claimant shall receive payments toward principal of the debt in the sum of \$300,000.00 on the effective date of the Plan and in addition, the sum of \$350,000.00 six months thereafter. The Debtor will pay the Class 1 claimant interest only on the remainder of its principal outstanding at the

rate of 3.75% per annum for a period of 5 years, or 60 monthly installments commencing on the 1<sup>st</sup> calendar day of the month following the effective date of the Plan, and on the first day of each and every month thereafter until and up through and including 60 months; provided that if the property of the Debtor is sold or refinanced prior to the 60 months, then the Class 1 claimant shall be paid in full at the time of the closing of such sale or refinance. Interest shall be paid on the principal outstanding, taking into account the reductions of principal as stated herein. Commencing 8 months after the effective date of the Plan, the Debtor shall utilize best efforts to sell and or refinance the property. The Class 1 claimant shall withdraw its foreclosure action and release its Lis Pendens within 4 months after the effective date of the Plan.

3. **Class 2**

The Class 2 claimants are not impaired.

4. **Class 3**

The Class 3 equity holders are not impaired.

**V**

**FINANCIAL INFORMATION**

To the knowledge of the Debtor, there are no fraudulent conveyance nor preference actions to be pursued.

A. **Executory Contracts**

To the knowledge of the Debtor there are no other executory contracts or leases, except that the Debtor has recently signed a Listing Agreement with a Real Estate Broker, subject to the approval of the Bankruptcy Court.

**B. Liquidation Value**

The value of the property, 140 Wallacks Drive, Stamford, CT has been appraised by Bank of America as of May 18, 2018, for the sum of \$8,250,000.00. However, the report stated that if certain items at the property are fixed and repaired, the value would increase by \$1,000,000.00. At the time that the appraiser was at the property, the Debtor had already fixed and repaired major parts of the appraiser's itemized deductions, was in the process of repairing other items and will continue to do so.

This, combined with the Debtor's cash on hand is more than enough to pay all creditors of this estate.

**C. Means of Execution of the Plan**

The Debtor will pay the U.S. Trustee fees up through and including the entry of a Final Decree in this case.

The Debtor will receive rents from John A. Morgan and Connie Morgan in the sum of \$20,000.00 per month. John and Connie Morgan may sublease the two cottages and apartment at their discretion, which rentals shall go to them, such that the rents being paid to Caritas shall always be \$20,000.00 during the term that Caritas will be paying Bank of America interest only, up to a maximum of 60 consecutive months.

Caritas shall adhere to the mortgage agreement with Bank of America of 2007, as this Plan is an extension of that first mortgage position of Bank of America. Such obligations to include remaining current with real estate taxes, insurance and other obligations such as repairs and maintenance of the property.

The rental amount shall be paid from the Morgans to Caritas commencing with the 1<sup>st</sup> day of the calendar month after the effective date of the Plan.

The allowed unsecured creditors will be paid on the effective date of the Plan, 100%, plus interest at 4% per annum commencing on the date of the filing of the Petition through and including the effective date of the Plan; provided however the Debtor will file an Objection to the Proof of Claim of B&G Marina.

**D. Profit History and Projection**

The Debtor projects that the management of property business will have sufficient funds to meet its Plan commitments after the effective date of the Plan. On the effective date of the Plan, the Debtor estimates that it will have approximately \$475,000.00 in its bank account (after payment of ordinary and usual expenses and the real estate tax bill due July 1, 2018).

The rent to be paid by the Morgans to the Debtor of \$20,000.00 per month shall generate gross income of \$240,000.00 per year, which, in addition to the money in the bank, shall be sufficient to pay the unsecured creditors on the effective date of the Plan, interest to Bank of America, as described herein, the US Trustee fees, ongoing real estate taxes and other ordinary expenses. To the extent that any shortfall may exist, the Morgans will advance the necessary funds to keep the payments current.

E. THE DEBTOR DOES NOT PURPORT, THROUGH THIS DISCLOSURE STATEMENT, TO ADVISE THE CREDITORS OR INTEREST HOLDERS REGARDING THE TAX CONSEQUENCES OF THE TREATMENT OF THE CREDITORS AND INTEREST HOLDERS UNDER THE PLAN. CREDITORS AND INTEREST HOLDERS SHOULD SEEK INDEPENDENT COUNSEL CONCERNING THE TAX CONSEQUENCES OF THEIR TREATMENT UNDER THE PLAN.



F. Objections to Proofs of Claim shall be filed no later than 15 days after the Order confirming the Chapter 11 Plan has entered.

## **VI**

### **DISCHARGE**

Upon the entry of the Order confirming the Chapter 11 Plan, the Debtor shall be discharged from any debt that arose before the date of such confirmation, except for any debt to be paid pursuant to the Plan.

## **VII**

### **RECOMMENDATIONS AND RISKS**

#### **A. Recommendations**

The Debtor recommends that the creditors vote to approve the Plan. In the event that the Plan is rejected, there is a risk that unsecured creditors may not be paid. There is also a risk that the secured creditor, Bank of America may not be fully paid if the property is auctioned pursuant to a foreclosure action. The recommendation of the Debtor for approval of the Plan is only a recommendation and you should be familiar with all of the provisions of this Disclosure Statement before deciding whether or not to vote for the Plan.


#### **B. Risks.**

There is little risk that the Debtor will not make distributions pursuant to this Chapter 11 Plan. The Morgans have the funds to pay the rent at \$20,000.00 per month, and it is likely that much of the rent will be re-paid to them through sub-leases of the 3 available apartments on the property. There is a risk that the value of the property could depreciate, provided that that risk is small. It is also likely that the real estate taxes for

the property shall be reduced as the Debtor had filed for reduction of the tax and obtained a 30% savings. A reduction in tax increases the value of the property.

Dated at Stamford, Connecticut this 5 day of June, 2018.

CARITAS INVESTMENT LIMITED PARTNERSHIP

By:   
Morgan 2000, LLC, its General Partner, acting herein by John A. Morgan, Member

**CERTIFICATE OF SERVICE**

In accordance with the applicable provisions of the Federal Rules of Bankruptcy Procedure, 2002 and 7004, the undersigned certifies that on the 5 day of June, 2018, the following documents were served on the U.S. Trustee and all appearing parties via the court's electronic filing system or, by first class mail on the parties listed in section 2 below.

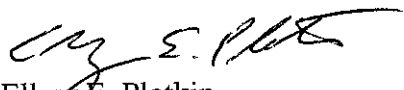
1. Documents Served:  
Chapter 11 Disclosure Statement

2. Parties Served Via First Class Mail:  
None

3. Parties Served Via Court's electronic filing system or via email or facsimile to:  
Email: holley.l.claiborn@usdoj.gov  
Office of the U.S. Trustee  
Giamo Federal Building  
150 Court Street, Room 302  
New Haven, CT 06510

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\_\_\_\_\_/s/ Ellery E. Plotkin\_\_\_\_\_  
Ellery E. Plotkin  
Commissioner of Superior Court