

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA**

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In re	:	
	:	
GEMMA CALLISTE,	:	Case No. 10-00685
EARL CALLISTE,	:	Case No. 13-00500
	:	Chapter 11
Debtors.	:	(Jointly Administered Under
	X	Case No. 10-00685)

DISCLOSURE STATEMENT IN SUPPORT OF DEBTORS' PLAN DATED
December 6, 2016

Gemma Calliste and Earl Calliste, Debtors in Possession, through the undersigned counsel, hereby submit to their creditors this Disclosure Statement in connection with their Chapter 11 Plan dated December 6, 2016 (the "Plan") pursuant to Chapter 11 of Title 11, U.S.C. (the "Code").

I. Preliminary Statement

The Debtors submit this Disclosure Statement to all of their creditors in order to comply with the provisions of the Code requiring the submission of information necessary for creditors to arrive at an informed decision in exercising their rights to vote for acceptance or rejection of the Plan, presently on file with the United States Bankruptcy Court for the District of Columbia (the "Court"). A copy of the Plan accompanies this Disclosure Statement.

II. REQUISITE DISCLOSURES

A. Representations Limited

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY REGARDING FUTURE BUSINESS OPERATIONS OR THE VALUE OF THE DEBTORS' ASSETS, HAVE BEEN AUTHORIZED BY THE DEBTORS EXCEPT AS SET FORTH IN THIS STATEMENT. YOU SHOULD NOT RELY ON ANY OTHER REPRESENTATIONS OR INDUCEMENTS PROFFERED TO YOU TO SECURE YOUR ACCEPTANCE OR REJECTION IN ARRIVING AT YOUR DECISION IN VOTING ON THE PLAN. ANY PERSON MAKING REPRESENTATIONS OR INDUCEMENTS CONCERNING ACCEPTANCE OR REJECTION OF THE PLAN SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS AT THE ADDRESS BELOW, TO THE CLERK OF THE COURT AT 333 Constitution Ave., N.W., Washington, D.C. 20001 AND TO THE U.S. TRUSTEE AT 115 S Union St # 210, Alexandria, VA 22314. FOR VARIOUS REASONS, THE RECORDS OF THE DEBTORS PRIOR TO PREPARATION OF THIS PLAN MAY NOT HAVE BEEN

COMPLETE AND THE ACCURACY OF THE INFORMATION SUBMITTED WITH THIS STATEMENT IS DEPENDENT ON INFORMATION AVAILABLE TO THE DEBTORS WITH THE ASSISTANCE OF COUNSEL. WHILE EVERY EFFORT HAS BEEN MADE TO PROVIDE THE MOST ACCURATE INFORMATION AVAILABLE, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT ALL INFORMATION IS WITHOUT INACCURACY. THERE ARE NO KNOWN INACCURACIES. WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THAT THE ASSUMPTIONS ARE VALID AND AS ACCURATE AS CAN BE MADE UNDER THE CIRCUMSTANCES, NEITHER THE DEBTORS NOR THEIR ATTORNEYS UNDERTAKE TO CERTIFY OR WARRANT THE ABSOLUTE ACCURACY OF THE ASSUMPTIONS OR PROJECTIONS.

NO FORMAL APPRAISALS HAVE BEEN UNDERTAKEN OF THE DEBTORS' PROPERTY EXCEPT WHERE STATED. EXCEPT WHERE OTHERWISE STATED, THE VALUES PLACED THEREON AND SUMMARIZED BELOW ARE THE DEBTORS-IN-POSSESSION'S BEST ESTIMATE OF THE VALUE OF THE PROPERTY AS OF THE TIME OF THE FILING OF THE PLAN AND THIS DISCLOSURE STATEMENT. THESE VALUES MAY DIFFER FROM VALUES PLACED ON THE SAME PROPERTY AT THE TIME OF FILING OF THE PETITION FOR RELIEF AND THE SUBSEQUENT SCHEDULES. CERTAIN ASSETS HAVE BEEN VALUED BY ORDER OF THE COURT; THOSE VALUES ARE INDICATED AS SUCH.

B. Background

The Debtors are married individuals who own and operate Etis Corporation, which provides group home services to persons with mental disabilities, typically pursuant to contracts with the D.C. Government. They own several properties in Washington, D.C., owned either by Earl or both spouses together, which they use for that purpose.

C. Events Leading to Bankruptcy

Over the last several years, the Debtors, either Earl alone or with his wife, had entered into several "hard money" loans to support their business and properties. Those loans, borrowed from Mr. John Malachi, were refinanced multiple times, and the claimed balances grew extensively, beyond what was then the value of the properties, and the payments exceeded the ability of the Debtors' to pay. Debtors disputed these loans in D.C. Superior Court, but were unable to afford to continue to litigate. As a result of these loans, they also fell behind on other obligations.

D. Procedural Posture of the Bankruptcy Case

Gemma filed her bankruptcy case on July 13, 2010 under Chapter 11 of title 11 of the U.S. Code (as amended, the "Bankruptcy Code"). A plan was confirmed on February 12, 2012, and a final decree was entered on July 6, 2012, but there were subsequent

disputes as to her payments under that plan, and on August 8, 2014, the Court entered an Order reopening her case. On March 4, 2015, the Court entered an order by agreement vacating the confirmation order but providing that creditors would retain the distributions previously made to them. On July 22, 2015, Gemma's case was ordered jointly administered with Earl's, which had been filed on August 13, 2013.

The Debtors continue to hold their assets as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No unsecured creditors' committee has been appointed in this case. No trustee or examiner has been appointed. Chung & Press, P.C. was appointed to represent the Debtors/Debtors in Possession.

E. Assets

The Debtors' principal assets are the real estate, the corporation, as well as household goods and vehicles. There is no non-exempt equity in the cars or any personal property other than the corporation. In addition, Earl's residence at 710 19th St. N.E. is exempt as his homestead. While some accounts receivable were scheduled in Gemma's case, those were actually the receivables of the corporation, and have either been collected or are not collectible.

Due to the appreciation of the value of real estate in the District of Columbia, there is now equity in the Debtors' real estate, which was valued by the Court as follows:

- a. 11016 Lake Victoria Ln., Bowie, MD, has a value of \$508,000.00;
- b. 1200 Oates Street, NE Washington, D.C. has a value of \$500,000.00;
- c. 1535 4th Street, NW Washington, D.C. has a value of \$520,000.00;
- d. 16 Q Street, NW Washington, D.C. has a value of \$475,000.00;
- e. 1659 Montello Ave. NE, Washington, D.C. has a value of \$460,000.00;
- f. 2219 Chester St. SE, Washington, D.C. has a value of \$247,000.00;
- g. 2245-2247 Shannon Place, S.E. Washington, D.C. has a value of \$755,000.00;
- h. 404 Florida Ave., NW, Washington, D.C. has a value of \$680,000.00;
- i. 509 Rhode Island Ave., NW, Washington, D.C. has a value of \$650,000.00;
- j. 730 19th Street, N.E. Washington, D.C. has a value of \$385,000.00;
- k. 732 19th Street, N.E. Washington, D.C. has a value of \$390,000.00.

In addition, the Debtors' corporation may have value, although that value is presently unknown and dependent on its continued access to Debtors' real properties and probably on continued operation by the Debtors.

The Debtors' schedules of Assets and Exemptions (Schedules A-B and C) as of filing these cases are attached as Exhibit A hereto.

F. Creditors Committee

No creditors committee has been formed in this case.

G. Professionals

The Debtors have retained the firm of Chung & Press, P.C. (Daniel M. Press), as bankruptcy counsel, which appointment has been approved by the Court. Chung & Press, P.C., was paid \$2370.00 for pre-petition work related to this case, and advanced the filing fee of \$1213, which were paid pre-petition from a \$20,000 fee advance. Chung & Press, P.C. expects to file a fee application, which fees are subject to court approval. Jeff Sherman Esq. was previously retained to represent Gemma, and his fees have been paid in full pursuant to previous orders of the Court.

H. Officers/Directors and Compensation

As individual debtors, the requirement to disclose the Debtors' officers and directors is inapplicable.

I. Bar Date

The bar date for the filing of pre-petition claims against Earl was December 27, 2013, with government claims due by February 9, 2014. November 26, 2010 was the claims bar date in Gemma's case, with government claims due by January 10, 2011. Under the Plan, Administrative Claims other than for fees of Debtor's counsel must be filed by the first Business Day thirty (30) days after the Effective Date.

III. Summary of Plan and Code Provisions for Voting

A. Repayment of Creditors

The Plan provides for payment of administrative expenses, priority claims, and secured and unsecured claims in full, either in cash or in deferred cash. Funds for implementation of the Plan will be derived from the Debtors' business.

This Disclosure Statement contains a detailed discussion of the Plan and its implementation. This Disclosure Statement should be read in conjunction with the Plan, which is a legal document and upon confirmation will become binding on the Parties. Creditors should read the Plan and this Disclosure Statement in their entirety, rather than relying on this summary. The Debtors urge creditors and other parties in interest to consult with independent counsel in connection with their decision to accept or reject the Plan. Approval of this Disclosure Statement by the Court is not a decision on the merits of the Plan.

B. VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS

1. Ballots and Voting Deadline.

A Ballot¹ to be used for voting to accept or reject the Plan will be distributed, along with this Disclosure Statement and the Plan, upon approval of the Disclosure Statement by the Bankruptcy Court. Creditors and Equity Interest holders of the Debtors must (1) carefully review the Ballot and instructions thereon; (2) execute the applicable Ballot; and (3) return the completed Ballot to Chung & Press, P.C., Attn: Daniel M. Press, Esq., 6718 Whittier Ave., Suite 200, McLean, Virginia 22101 so as to be received by 5:00 p.m. on _____. Ballots received after the deadline will not be considered.

2. Creditors Entitled to Vote.

Any Creditor or Equity Interest holder of the Debtor whose Claim or Equity Interest is impaired under the Plan is entitled to vote, provided that (1) its Claim has been scheduled by the Debtor (and such Claim is not scheduled as disputed, contingent or unliquidated), or (2) it has filed a Proof of Claim on or before the last date set by the Court for such filing, and no objection to such Proof of Claim is pending at the time of the confirmation hearing. Any Class of Claims or Equity Interests that is not impaired by the Plan, and each holder of a Claim or Equity Interest of such Class, are conclusively presumed to have accepted the Plan and solicitation of acceptances with respect to such Class from the holders of Claims or Equity Interests of such Class is not required.

Any Claim or Equity Interest as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Court temporarily allows the Claim or Equity Interest in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon motion by the Creditor or holder of an Equity Interest whose Claim or Equity Interest is subject to objection. In addition, the vote of a Creditor or holder of an Equity Interest may not be counted if the Court determines that the Creditor's or Equity Interest holder's acceptance or rejection was not solicited or procured in accordance with the provisions of the Bankruptcy Code.

Even though a creditor may not choose to vote or may vote against the Plan, the creditor will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities in each class of creditors and/or is confirmed by the Court. Creditors who fail to vote will not be counted in determining acceptance or rejection of the Plan. Allowance of a claim for voting purposes does not necessarily mean that the claim will be allowed or disallowed for purposes of distribution under the terms of the Plan. Any claim to which an objection has been or will be made will be allowed only for distribution after determination by the Court. Such determination may be made after the Plan is confirmed.

3. Definition of Impairment.

¹ Under the Plan, the term "Ballot" means the form distributed to each holder of an impaired Claim on which is to be indicated, among other things, acceptance or rejection of the Plan.

Under § 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is impaired under a plan of reorganization unless, with respect to each Claim or Equity Interest of such Class, the plan (1) leaves unaltered the legal, equitable, and contractual rights of the holder of such Claim or Equity Interest, or (2) reinstates the Claim or Equity Interest pursuant to its original terms and cures any default.

4. Classes Impaired Under the Plan.

Creditors holding Claims or Equity Interests in Classes B-D and F-N are impaired under the Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the Plan. Creditors holding Claims in Classes A and E are unimpaired under the Plan and are not entitled to vote with respect to the acceptance or rejection of the Plan. Such Creditors will be paid in full or otherwise treated in accordance with the provisions of the Plan.

5. Vote Required for Class Acceptance.

The Bankruptcy Code defines acceptance of a Plan by a Class of Creditors as acceptance by holders of two-thirds in dollar amount and a majority in number of the Allowed Claims of that Class which actually cast ballots to accept or reject the Plan. The Bankruptcy Code defines acceptances of a Plan by a Class of Equity Interests as acceptance by holders of two-thirds in amount of the Allowed Equity Interests of such Class held by holders of such Equity Interests who actually cast ballots to accept or reject the Plan.

6. Requirements for Confirmation.

In order to be confirmed (i.e., approved) by the Bankruptcy Court, the Plan or its proponent must (among other requirements set forth in § 1129 of the Bankruptcy Code):

- a. Disclose all compensation paid or promised for professional services rendered or to be rendered in connection with the case;
- b. Disclose the identity and affiliations of all officers to serve after the Plan is confirmed and the compensation of any insiders to be employed after Confirmation;
- c. Propose to pay each member of a class of Claimants, who has not accepted the Plan, property at least equal in value to what the Claimant would receive if the Debtor's assets were liquidated on the date of the Confirmation Hearing, and distributed to Creditors according to their rights and priorities under law;
- d. Propose to pay all Administrative Claims in full;
- e. Propose to pay all Priority Claims in full in deferred payments or cash; and
- f. Propose to pay all Priority Tax Claims in full within five years after the order for relief in this case, in a manner not less favorable than the non-priority unsecured claims.

7. Confirmation Hearing.

The Bankruptcy Code requires that the Bankruptcy Court hold a Confirmation Hearing with notice to all Creditors. The Confirmation Hearing is scheduled for _____ at _____, before the Honorable S. Martin Teel, Jr., United States Bankruptcy Judge, Courtroom 1, 2nd Floor of the U.S. Courthouse, 333 Constitution Ave. N.W., Washington DC 20001. The Confirmation Hearing may be adjourned or continued by the Bankruptcy Court without further notice except for an announcement made of the adjourned or continued date made at the Confirmation Hearing.

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court shall enter an order confirming the Plan. With respect to creditor acceptance of the Plan, if the requisite members of an impaired Class do not vote to accept the Plan as provided in Section II.B.5. above, the Debtors may seek confirmation pursuant to § 1129(b) of the Bankruptcy Code, known as the “cramdown” procedure. Pursuant to this section, the Bankruptcy Court may confirm the Plan notwithstanding the nonacceptance by an impaired Class if at least one impaired Class votes to accept the Plan, the Plan does not discriminate unfairly, and is “fair and equitable” to the non-accepting Class.

A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its Claims or Equity Interests. The Bankruptcy Code establishes different “fair and equitable” standards for Secured and Unsecured Claims.

With respect to a Secured Claim, a plan may be “fair and equitable” if (1) the impaired Secured Creditor retains its liens to the extent of its Allowed Claim and receives deferred cash payments at least equal to the allowed amount of its Claim with a present value as of the Effective Date at least equal to the value of such Creditor’s interest in the property securing its liens, (2) property subject to the lien of the impaired Secured Creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (1) and (3) hereof, or (3) the impaired Secured Creditor realizes the “indubitable equivalent” of its Claim under the plan.

With respect to an Unsecured Claim, a plan may be “fair and equitable” if (1) each impaired Unsecured Creditor receives or retains property of a value equal to the amount of its Allowed Claim, or (2) the holder of any Claim or Interest that is junior to the claims of the dissenting Class will not receive any property under the plan, except that, as the Debtors are individuals, they may retain property of the estate.

Finally, it must be noted that even though a Creditor or holder of an Equity Interest may vote to reject the Plan, such rejection of a confirmed Plan does not mean that the Creditor or holder of an Equity Interest will not be entitled to share in any distributions to be made under the Plan.

IV. Classification and Treatment of Claims

The Plan establishes 18 classes of claims (with class N including 2 subclasses of nominally secured claims which are treated as unsecured claims under 11 U.S.C. § 506(a)), plus two categories of unclassified claims (for administrative expenses and for priority taxes).

The allowed²² claims in this case, in addition to administrative expenses described below, are:

²² This list includes filed claims and scheduled claims, and includes the claims of John Malachi, which have been objected to, in the amounts filed. The Malachi claims are not presently “allowed claims” because of the pending objection, but are treated as allowed as it is expected that they (or some of them) will be allowed in some amount.

Priority taxes:

<u>Creditor</u>	<u>Nature of Claim</u>	<u>Amount</u>	<u>Notes</u>
DC Office of Tax & Revenue	Taxes	4436.23 (E: Claim 5)	

Secured:

<u>Creditor</u>	<u>Nature of Claim/Collateral (E: Earl. G: Gemma)</u>	<u>Face Amount</u>	<u>Secured Amt.</u>	<u>Class</u>
Wells Fargo	1 st on Bowie MD property (G: Claim 8)	\$402,538.85	\$402,538.85	B
Capital Bank N.A.	Tax Sale, 710 19 th St. (E:Scheduled)	\$6024	\$6024	C
D.C. Ofc. of Tax & Rev.	Taxes, 710 19 th St (E: Scheduled)	\$7000	\$7000	D
Wells Fargo Bank N.A.	Car Loan (E: Claim #2)	\$12,890.64	\$12,890.64	E
Americas Servicing Co.	1 st on 2219 Chester St SE (E: Claim #4)	\$155,119.70	\$155,119.70	F
Nationstar	1 st on 730 19 th St. NE (E: Scheduled, G: claim #2)	\$256,894.81	\$256,894.81	G
Caliber Home Loans	1 st on 732 19 th (E: Scheduled; G: claim #1)	\$255,633.85	\$255,633.85	H
Nationstar	1 st on 1200 Oates (E: Scheduled, G: claim #5)	\$348,177.30	\$348,177.30	I
Nationstar	1 st on 16 Q St. NW (E:Scheduled, G: claim #4)	\$278,074.38	\$278,074.38	J
John Malachi	2nd on 732 19th NE (E: Claim 10; G: scheduled)	\$78,631	\$78,631	K1
John Malachi	1 st on 2247 Shannon (E: Claim 11)	\$121,958	\$121,958	K2
John Malachi	2 nd on 16 Q St NW (E: Claim 12, G: scheduled)	\$78,233	\$78,233	K3
John Malachi	2 nd on 730 19 th NE (E: Claim 13; G: scheduled)	\$127,796	\$127,796	K4
John Malachi	2nd on 1200 Oates (E: Claim 14, G: scheduled)	\$271,208	\$146,839.47	K5
John Malachi	2nd on 2219 Chester (E: Claim 15)	\$77,720	\$77,720	K6
John Malachi	2nd on 2245 Shannon (Claim 16)	\$49,083	\$49,083	K7
John Malachi	1st on 2245 Shannon (Claim 17)	\$119,708	\$119,708	K8
John Malachi	2nd on 2247 Shannon (Claim 18)	\$67,654	\$67,654	K9
Ocwen	1 st on 1659 Montello (E: Scheduled)	\$244,305	\$244,305	L1
Ocwen	1 st on 404 Florida (E: 20)	\$368,216.03	\$368,216.03	L2
Ocwen	1 st on 1535 4 th St. (E:21)	\$269,224.08	\$269,224.08	L3
Ocwen	1 st on 509 Rhode Island (E: Scheduled)	\$324,769	\$324,769	L4
DC WASA	Water bills – 1200 Oates (E: 19)	\$4983.23	\$4983.23	M

Unsecured (Class N)

<u>Creditor</u>	<u>Nature of Claim</u>	<u>Amount</u>	<u>Notes</u>
John Malachi	Deficiency – Oates	\$124,368.53	Disputed

Class O (Small unsecured claims)

Sprint Nextel	Phone	455.42 (E: Claim 1)	Disputed/time-barred
DC Water & Sewer Auth.	Water/Sewer	391.84 (E: Claim 6)	
DC Water & Sewer Auth.	Water/Sewer	420.88 (E: Claim 7)	
DC Water & Sewer Auth.	Water/Sewer	142.43 (E: Claim 8)	
LVNV Funding	“Sprint”	155.22 (E: Claim 9)	Disputed/time-barred
Verizon	Phone	\$519.06 (G: Claim 6)	\$389.30 paid per prior plan, balance \$129.86
AT&T	Phone	\$18 (G: Scheduled)	\$13.50 paid per prior plan, balance \$4.50
IC Systems	Vintage Security	\$406 (G: Scheduled)	\$304.50 paid per prior plan, balance \$101.50
DC Office of Tax & Revenue	Taxes	997.50 (E: Claim 5)	
DC Water & Sewer Auth.	Water/Sewer (1200 Oates)	\$3497.52 (G: Claim 7)	\$2623.14 paid per prior plan, balance \$874.38

The claim amounts are as set forth in the proofs of claim or schedules (if scheduled as liquidated, non-contingent and undisputed and not superseded by a proof of claim). The Debtors reserve the right to object to claims, including but not limited to the reasons stated.

The classes of claims are identified and treated as follows:

1. Unclassified claims

A. Administrative Expenses. Administrative Expense claims approved and allowed by the Court shall be paid in full, in cash, by the Debtors on the effective date of the Plan or as soon thereafter as the amount thereof can be fixed, unless a different treatment is agreed to or provided for in this Plan. Administrative claims which by their terms are not due and payable on or before the Effective Date shall be paid as and when due.

The total unpaid professional fees as of the effective date of this Plan are estimated to be approximately \$50,000, a portion of which will be covered by the pre-petition retainer, although additional fees may be incurred prior to the Effective Date. The Debtors are unaware of any other unpaid administrative expense claims.

Within this class are all pre-confirmation fees payable to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6), which shall be paid on the effective date of the Plan, if not paid sooner. After confirmation, and until the case is closed, the Debtors shall be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6).

B. Priority Taxes: Priority Tax claims shall be paid in full, with interest at the statutory rate on such claims, in equal quarterly cash payments commencing 90 days after the effective date of the plan, amortized over the remaining period of 5 years from the Petition Date, unless a different treatment is agreed to or provided for in the Plan.

2. Classified Claims and Interests

A. Class A (Priority (non-tax) Claims): Class A consists of Priority Claims under 11 U.S.C. § 507 other than Administrative Claims and Priority Tax Claims. The Debtors are unaware of any such claims, and no proofs of claim in this class have been filed. In the unlikely event that there are any allowed Claims in Class A, they shall be paid in full, in cash, by the Debtors on the effective date of the Plan or as soon thereafter as the amount thereof can be fixed, unless a different treatment is agreed to or provided for in this Plan. This class is not impaired.

B. Class B (Wells Fargo secured claim on Bowie property: Joint claim): The secured claim of Wells Fargo Home Mortgage (Proof of Claim #8 in Gemma's case) in the amount of \$402,538.85, which is secured against 11016 Lake Victoria Ln, Bowie MD, shall be paid in monthly payments in the amount of the fully-amortizing principal, interest and escrow payment as calculated in accordance with the loan documents. Any pre- or post-petition arrears shall be cured in equal monthly installments without interest, commencing on the effective date of the Plan, over 10 years (120 months) from the effective date, until paid in full. **If the holder of the Class B claim maintains that there are any post-petition arrears as of the Effective Date, it shall file a statement thereof, including a detailed calculation, within 30 days after the Effective Date, failing which the arrears shall be only the pre-petition amount as stated in the proof of claim.** Should such a statement be filed, Debtors shall make post-petition cure payments in the amounts provided herein until the arrears are satisfied, or until shall the Court determines the amount of any

disputed arrears. The Debtors shall file any response to the Class B creditor's claim of arrears within 30 days of its filing. In the event of a dispute, the Court shall determine the amount of arrears due. This class is impaired.

C. Class C (Capital Bank secured claim for real property tax sale on 710 19th St NE., Washington DC; Earl only): The claim of the Capital Bank, N.A., f/b/o Muni Trust Capital Fund in the amount of \$6024 (scheduled amount, no proof of claim filed), shall be paid in full, with interest at 4.25%, in equal quarterly cash payments commencing 90 days after the effective date of the plan, amortized over the remaining period of 5 years from the Petition Date. **Payment as provided hereunder shall fully redeem the property from such sale.** This class is impaired.

D. Class D (D.C. Office of Tax & Revenue secured claim for real property tax on 710 19th St NE., Washington DC; Earl only): The claim of the District of Columbia Office of Tax & Revenue in the amount of \$7000 (scheduled amount, no proof of claim filed), shall be fully satisfied by payment in full, with interest at the statutory rate on such claims, in equal quarterly cash payments commencing 90 days after the effective date of the plan, amortized over the remaining period of 5 years from the Petition Date. This class is impaired.

E. Class E (Wells Fargo car loan; Earl only): The claim of Wells Fargo Bank, N.A., secured by the Debtor's 2009 Chevy Silverado (Proof of Claim #2 as to Earl), shall retain its lien and be paid in accordance with its terms. This class is not impaired.

F. Class F (Americas Servicing Co. secured claim on 2219 Chester St SE, Washington DC; Earl only): The secured claim of Americas Servicing Co. (Claim #4 as to Earl) filed in the amount of \$155,119.70, shall be paid with post-confirmation interest at 4.5% p.a., and shall amortize the principal balance over 30 years from the Effective Date. This class is impaired.

G. Class G (Nationstar secured claim on 730 19th St NE, Washington DC; joint): The secured claim of Nationstar Mortgage (Claim #2 as to Gemma, filed in the amount of \$56,894.81) shall be paid with post-confirmation interest at 4.5% p.a., and shall amortize the principal balance over 30 years from the Effective Date. This class is impaired.

H. Class H (Caliber secured claim on 732 19th St NE, Washington DC): The secured claim of Caliber Home Loans (Claim #1 as to Gemma, filed in the amount of \$255,633.85) shall be paid with post-confirmation interest at 4.5% p.a., and shall amortize the principal balance over 30 years from the Effective Date. This class is impaired.

I. Class I (Nationstar secured claim on 1200 Oates St NE, Washington DC, joint): The secured claim of Nationstar Mortgage (Claim #5 as to Gemma, filed in the amount of \$345,690.68) shall be paid with post-confirmation interest at 4.5% p.a., and shall amortize the principal balance over 30 years from the Effective Date. This class is impaired.

J. Class J (Nationstar secured claim on 16 Q St NW, Washington DC; joint): The secured claim of Nationstar Mortgage (Claim #4 as to Gemma, filed in the amount of 278,074.38) shall be paid with post-confirmation interest at 4.5% p.a., and shall amortize the principal balance over 30 years from the Effective Date. This class is impaired.

K. Malachi secured claims: With respect to all of the secured claims of John Malachi, such claims shall be paid in accordance with the Agreed Order entered on July 12, 2016 [Docket #236] as follows:

1. Debtors have made, and shall continue to make, adequate protection payments to Mr. Malachi as follows:
 - \$125,000 on or before July 1, 2016.
 - \$20,000 per month, commencing August 1, 2016 and on the first business day of each month thereafter until confirmation of a Plan, and thereafter, as payments under the Plan, until the allowed secured claims of Mr. Malachi are paid in full.
2. In the event any payment described in the foregoing paragraph is not paid as and when due, Mr. Malachi may give 7 days notice and opportunity to cure to Debtors by regular mail to their address of record, and shall file the same with the Court (as long as the case remains open) and send a copy by email to Debtors' counsel to his email address of record. In the event the payment is not made by the 7th day (or the next business day thereafter in the event the 7th day falls on a weekend, holiday, or day on which this Court is closed), Mr. Malachi may file a Praecipe of Default with the Court. In the event the fact of non-payment is in dispute, Debtor may file with the Court a response to either the 7-day notice or the Praecipe of Default and request a hearing thereon, attaching proof of payment.
3. In the event of filing a Praecipe of Default (that has not been withdrawn, stricken or overruled as a result of a payment dispute), Bryan Ross, Esq., shall be appointed Commissioner for Sale, to be compensated at the rate of 6% of the sale price of all property sold (which shall include any real estate agent commission), plus actual out-of-pocket expenses. In the event Mr. Ross declines to serve, Wendell Webster, Esq., shall be so appointed. The Commissioner for Sale shall proceed to sell the Debtor's property at 2245-2247 Shannon Place, S.E., Washington DC, in a commercially reasonable manner, with the net proceeds being paid to satisfy Mr. Malachi's liens on those properties, and then towards his remaining allowed secured claims (and any surplus to the Debtor). In the event there remains a balance due to Mr. Malachi after such sale, the Debtor shall have 30 days to satisfy it, after which the Commissioner shall sell other real property of the Debtor (in the order designated by the Debtor) until Mr. Malachi's allowed secured claims are paid in full.
4. Interest on Mr. Malachi's allowed over-secured claims shall run at the non-default contract rate on the principal balance until confirmation (with no pre-

confirmation interest on any under-secured claims), as required by 11 U.S.C. § 506, and thereafter at 4.5% simple interest until paid in full.

The Class K claims are subject to pending objection and the allowed amount thereof has yet to be determined. The amounts listed at the beginning of Article IV hereof are the filed amounts. Any deficiency amounts (where the allowed secured claim exceeds the net equity in the property) shall be treated for all purposes as Class N unsecured claims. This class is impaired.

L1, L3, L4: Classes L1, L3, and L4 (Ocwen secured claims against 1659 Montello, 1535 4th St., and 509 Rhode Island, respectively; Earl only): Claims L1, L2, and L4 of Ocwen Loan Servicing shall retain their liens and shall be paid in accordance with the agreed terms of the loan modification agreements as to those properties. Copies are attached to the filed copy of this disclosure statement and will be provided upon request to the undersigned counsel. These classes are impaired.

L2. Class L2 (Ocwen Secured Claim on 404 Florida) shall retain its lien and shall be modified in accordance with the same terms as the loan modifications for Classes L1, L3, and L4, except that the dollar amounts shall reflect the amounts due on this loan as of the Effective Date of the Plan. This class is impaired.

M. Class M: D.C. WASA Secured claim for water bills on 1200 Oates St: The claim of the District of Columbia Water & Sewer Authority in the amount of \$4983.23 (Claim 19), shall be fully satisfied by payment in full, with interest at 4.5%, in quarterly cash payments commencing 90 days after the effective date of the plan, amortized over 5 years from the Effective Date. This class is impaired.

N. Class N (General Unsecured Claims greater than \$1000). Holders of Class N claims shall be paid in full, without interest, pro rata at \$20,000 per month, starting the month after the Class K claims are paid in full. This class is impaired.

O. Class O (Administrative Convenience – Small claims): The holder of any general unsecured claim less than \$1000 (or which has less than \$1000 remaining unpaid after application of payments under Gemma Calliste's prior confirmed plan) shall be paid in full without interest on the Effective Date of the Plan. This class is not impaired.

AS TO ALL CLAIMS:

Except as provided above, the amount due under the plan on any claims which are then subject to objections as to which a Final Order has not been entered shall be deposited in an interest bearing bank account (or, if under \$20,000, in Debtor's counsel's trust account) until a Final Order is entered. When a Final Order is entered disallowing or allowing and liquidating any disputed claim, the funds set aside for that claim shall be distributed to the creditor or returned to the Debtors as appropriate. Payments on all claims shall be mailed to the address of the creditor on the proof of claim (or, if allowed pursuant to the schedules, to the address on the schedules), unless the creditor files a change of address notice with the

Court, or mails such notice to Debtors and Debtors' counsel if the case is then closed. Any check mailed to the proper address and returned by the post office as undeliverable, or not deposited within 180 days, shall be void and the funds may be retained by the Debtors.

If any claim in Class O listed as having been paid in part contends that it has not been, it must file a timely objection to the Plan in order to establish the amount due.

Debtor has attempted to match the filed claims with the scheduled claims, and has replaced the scheduled claims with claims as filed. If any creditor that was scheduled or filed a proof of claim maintains that it is not correctly listed in the Plan and Disclosure Statement, it must file a timely objection to the Plan. Upon confirmation, the listing of claims herein shall be final and binding on all creditors.

V. Implementation of Plan

The Debtors shall fund this Plan from income from their business. Debtors shall retain the Assets of the estate, and shall pay their ordinary living expenses and operating expenses for the property, and pay the creditors the amounts set forth in this plan. Consistent with the provisions of this Plan and subject to any releases provided for herein, the Debtors reserve the right to begin or continue any adversary proceeding permitted under the Code and Rules to collect any debts, or to pursue their claims in any court of competent jurisdiction. Except as expressly provided for in this Plan, nothing in this Plan shall be deemed to constitute a waiver of any claim that the Debtors may assert against any other party, including the holder of any claim provided for in this Plan, and the allowance of any claim against the Debtors or the estate shall not bar any claim by the Debtors against the holder of such claim.

Based on current income, expenses and cash on hand, the Debtors will be able to afford these payments.

VI. Analysis of Liquidation Value of the Estate

In the event of a Chapter 7 liquidation of the Debtors' estates, it is estimated that there is sufficient equity in the estates to pay all creditors in full, although it is certainly possible that a forced sale of the real estate would generate less than the appraised values, and be subject to capital gains and recapture taxes, and that the business would have no value if sold separately from the real estate. Thus, while the plan pays all allowed claims at 100%, it is possible that a liquidation under Chapter 7 would generate less.

VII. Repayment Projections

The Debtor projects that all allowed claims will be paid in full, some at reduced interest rates and on modified terms.

VIII. Tax Consequences

The Debtors are not qualified to advise creditors of the specific tax ramifications to them of confirmation of the Plan and therefore make no representations in this regard. However, the Debtors are not aware of any potential material federal tax consequences to creditors that would result from confirmation of the Plan. Each creditor is urged to consult with a tax advisor as to such matters.

With respect to the Debtors themselves, the Debtors do not anticipate any material tax consequences. Any forgiveness of indebtedness would be exempt from taxation under IRC § 108. The Debtor's basis in the secured property may have to be adjusted, but no tax will be due as a result thereof until any such property is sold.

IX. **Income.** Pursuant to the Debtors' Schedules I-J, as of the commencement of this case, with disposable income calculated as required for Chapter 13, the Debtors have negative disposable income. Accordingly, there is no income-based requirement for funding of the plan. However, because most of the payments are made by the business, the Debtors are confident that they can make the required payments.

X. Modifications or Withdrawals of the Plan

The Debtors may alter, amend, or modify the Plan under § 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date, so long as the Plan, as modified, meets the requirements of §§ 1122 and 1123 of the Bankruptcy Code. The Debtors may also alter, amend, or modify the Plan under § 1127(b) of the Bankruptcy Code, following the Confirmation Date but prior to the Effective Date. The Debtors may revoke or withdraw the Plan prior to the Confirmation Date. If the Plan is revoked or withdrawn prior to the Confirmation Date, the Plan shall be of no force or effect, and shall be deemed null and void. If the Plan is revoked or withdrawn prior to the Confirmation Date, nothing contained herein shall in any way effect or prejudice the rights of the Debtors with regard to Claims, Avoidance Actions, or any other rights or interests. After confirmation, the plan may be modified pursuant to § 1127(e). The payments on the Classes B-M secured claims shall not be deemed payments under the plan for purposes of Code § 1127(e), such that the plan may not be modified under § 1127(e) after payment in full of Class A, N and O claims and administrative expenses.

XI. Objections to Claims, Counterclaims, and Avoidance Actions

Any objections to Claims must be filed within thirty (30) days following the Effective Date. The Debtors believe that the claims resolution process should not delay Confirmation of the Plan. The Debtors reserve the right to file objections to any Claims, either as currently filed or as may be amended. In order to expedite payments to creditors, the Debtor seeks Confirmation notwithstanding the fact that they may dispute certain Claims. The fact that the Debtors may have not objected to a particular Claim (nor stated grounds for such objection herein) does not mean that the Debtors will not object to such Claim. Accordingly, the Debtors make no representations either in the Plan or this

Disclosure Statement as to the validity of any Claim filed, and Creditors should not make any assumption based upon the fact that no objection has yet been filed to any individual Claim.

XII. Miscellaneous Plan Provisions

A. Executory Contracts and Unexpired Leases.

Pursuant to Article VI of the Plan, any pre-petition Executory Contracts and Leases in effect as of the Effective Date not specifically assumed will be deemed rejected as of the Effective Date. Any Claims arising from the rejection of Contracts and Leases must be filed on or before the Rejection Claim Bar Date. The Rejection Claim Bar Date is 30 days after the Effective Date, or, if later, 30 days after entry of any Final Order rejecting the Executory Contract or Lease. Absent the filing of a proof of claim on or before the Rejection Claim Bar Date, all Rejection Claims shall be forever barred from assertion and shall not be enforceable against the Debtors, their Estate, Assets, or properties. All Rejection Claims shall be General Unsecured Claims.

B. Retention of Jurisdiction, Closing.

Pursuant to §§ 105(a) and 1142 of the Bankruptcy Code, the Plan provides for the Bankruptcy Court to retain exclusive jurisdiction over all matters relating to the Plan, including the allowance of Claims and the adjudication of any Avoidance Actions. Upon substantial consummation of the plan, the case shall be closed, but shall be subject to reopening to enforce the terms of this Plan and to enter a discharge. This provision serves to avoid the need to pay U.S. Trustee fees after substantial consummation, an expense the Debtors can ill afford if they are to make the payments provided for under the plan.

XIII. Discharge

Upon completion of all payments due to Class A, N and O creditors, the Debtors shall be entitled to a discharge of and from all debts dischargeable under § 1141(d) of the Code. The payments to the holders of the Class B-M claims shall not be deemed payments under the plan for purposes of Code § 1141(d)(5)(A), such that the Debtors shall be entitled to their discharge upon completion of payments to Class A, N and O claims and administrative expenses.

XIV. Conclusion

As stated previously, the Debtors are the proponents of the Plan and urge you to vote to accept the Plan. The information and materials provided in this Disclosure Statement are intended to assist you in voting on the Plan in an informed fashion. Since

confirmation of the Plan will be binding on your interests, the Debtors invite you to review these materials and make such further inquiries as may be appropriate.

Dated: December 6, 2016.

Respectfully submitted,

/s/ Daniel M. Press

Daniel M. Press, DC Bar 419739

Chung & Press, P.C.

6718 Whittier Ave., Suite 200

McLean, VA 22101

(703) 734-3800

(703) 734-0590 fax

dpress@chung-press.com

Counsel to the Debtors